

Talking Points
Mississippi Economic Council Annual Meeting
Wednesday, May 7, 2008
Jackson

Thank you, Blake, and the MEC for being such great partners in Mississippi's progress. I know your good work will continue as Anthony Topazi leads you in the coming year.

I want to touch on a few items that help define Mississippi today:

- Fiscal discipline
- Judicial fairness
- Forward-thinking economic development – energy, aerospace, automotive manufacturing

Fiscal discipline

- When I became Governor of Mississippi in January 2004, Mississippi was in its worst financial shape since the Great Depression. The State was in a \$720 million budget hole; the State's Rainy Day Fund reserves had dropped 90%, to less than \$25 million; and there were loud calls for tax increases.

- Four years later, without raising anybody's taxes, Mississippi has a balanced budget, has rebuilt its Rainy Day Fund to the amount called for in law, and important priorities like education and law enforcement have received record funding increases. How?
- Working with the Legislature, we've controlled spending and increased revenue through economic growth, not tax increases. During the previous Administration, state spending increased 36% faster than General Fund revenue. In the five budgets under Governor Barbour, the opposite has occurred; General Fund revenue is growing 29% faster than General Fund agency spending, without raising anybody's taxes.
- In the budget just adopted for FY '09, for the second time in my tenure, appropriations will increase by less than 1% compared to this year.
- When I took office, the State's savings account - the "Rainy Day Fund" - had been depleted to pay for increased spending. In Governor Fordice's last year, Mississippi had \$233 million in its Rainy Day

Fund. During the Musgrove administration, the state spent that down to just \$22.6 million. At the end of the current fiscal year (June 30), my fourth budget, the Rainy Day Fund will contain \$378 million, an amount equal to the statutory cap of 7.5% of the General Fund budget.

- Although Mississippi's bonded indebtedness exploded between 1990 and 2004 - increasing from \$589 million to \$3.1 billion – we stopped State Government from swiping its credit card at every opportunity. In 2005, for the first time since 1987, the State paid off more debt than was issued, providing financial relief for generations to come. In the last five years, State debt has increased by only 1.6% after increasing 44% in the previous five years. This year, the Legislature approved only \$8 million of net new debt available for future issuance.

Judicial fairness

We fought a hard fight on tort reform but it was worth it.

Today's Mississippi is ruled by judicial fairness, not the plaintiff's bar.

High cost of medical liability insurance has come down

Doctors staying in Mississippi, improving access to health care

Forward-thinking economic development

Momentum Mississippi revamped our economic development program

Re-directing job creation strategy to respond to real-world conditions

Actively recruiting aerospace, automotive, energy projects that put
Mississippi's workforce in the forefront of emerging technologies and
economic sectors

Workforce development is a crucial ingredient, but our progress is
threatened by the Legislature's failure to re-authorize the Mississippi
Department of Employment Security.

Many of you in this room today have companies that have benefited from
workforce development and training programs.

It's a shame job training and unemployment benefits are being held hostage because some people in the Legislature don't like what's being said about them on talk radio.

Stennis Space Center – NASA's primary center for Rocket Propulsion Testing, with an additional 30 resident agencies comprising the Applied Research and Technology Project Office. Stennis is also the base for Navy SEAL commando training by Special Boat Team 22.

Recently the Navy purchased land in the Stennis buffer zone to allow live-fire training for these elite fighting units. In 2005, Stennis was selected by NASA as home of their Shared Services Center, which consolidates many of the Administration's business activities. NASA recognized the quality of our workforce as well as the strategic benefit of locating this facility at Stennis.

Northrop Grumman – Recently the Air Force announced its decision to award Northrop Grumman/EADS a \$40 billion contract to produce aerial refueling tankers. The proximity of Mississippi's booming defense sector to Mobile, Ala, (where the tankers will be produced) played an important role

in securing this contract, and the positive economic impact will be felt throughout the MS Gulf Coast region.

The contract was awarded after a rigorous and deliberate eighteen month evaluation by the United States Air Force

While the tanker program is extraordinarily important to the Air Force, this decision is also very important to our region of the country. Northrop and its partner EADS will assemble and modify the aircraft in Mobile, Alabama, establishing a new aerospace corridor in the Southeast.

In addition, the Northrop Grumman win will result in the creation of two new plants in West Virginia - and in total will bring almost 16,000 jobs to the Southern region of the United States.

Throughout this process, we have asked only that the Air Force do one thing - choose the best plane for the men and women of our military. While we believe the Air force has done just that, we respect Boeing's right to protest and believe GAO will offer an unbiased opinion of the process.

However, in light of comments made by certain members of Congress, we are concerned that, regardless of the outcome of GAO's review, that some in Congress may attempt to stall the program until the Air Force's decision is overturned.

I would ask simply that Congress allow the program to proceed without delay once the Government Accountability Office has affirmed the Air Force's award of the KC-45 program to Northrop Grumman.

Closing

Here in Mississippi these days we are working across traditional boundaries under the belief there is no reason for a boundary to be a barrier.

Working together, we are moving Mississippi forward.